



KALLAPANNA AWADE ICHALKARANJI
JANATA SAHAKARI BANK LTD;

(Multi-State Scheduled Bank)

RECOVERY POLICY
2025-2026

Policy	Last Review Date
Recovery Policy	31/07/2024

INDEX

SR.NO.	PARTICULARS	PAGE NO.
1	Recovery Policy	
A	One Time Settlement	13
B	Compromise Policy	18
C	Write-off	25
D	Appointment of Recovery Agency	27
E	Sale Of NPA Assets to ARC	28
F	Non Banking Asset	29
G	Willful Defaulter Policy	35

RECOVERY POLICY

1. PREAMBLE :-

The Bank has adopted the model policy for the Collection of Dues. The Debt Recovery Policy of the bank is built around dignity and respect to customers. Bank will follow policies as per laws in collection of dues. The policy is built on courtesy, fair treatment and persuasion. The bank believes in following fair practices with regard to collection of dues and repossession of security and thereby fostering customer confidence and long-term relationship.

The main aim of Recovery Policy of Bank is to recovery the dues in the event of default and is not aimed to whimsical deprivation of the property. The policy recognizes fairness and transparency in repossession, valuation and realization of security. All the practices adopted by the bank for follow up and recovery of dues and repossession of security will be inconsonance with the law.

2. OBJECTIVES AND SCOPE OF THE POLICY:-

- i. To take all precautionary measures to prevent deterioration of Loan Assets, by constant follow up and monitoring.
- ii. To restrict slippage of standard account to NPA account by effective post disbursement follow-ups and monitoring of advances.
- iii. To upgrade the NPA accounts & prevent further deterioration of asset from sub- standard to doubtful or loss category.
- iv. To take prompt and effective steps for up-gradation of identified NPA accounts by using all persuasive, quasi-legal methods i.e. restructuring, rehabilitation as per RBI policy & legal measures. Recovery will be made through normal process, action under SARFAESI Act, Arbitration under the provisions of Multi State Co-Operative Societies Acts, u/s138 of Negotiable Instrument Act, etc.
- v. To maximize recovery of NPA accounts and to minimize the losses.
- vi. To implement time bound action plan based on perception of likely or actual default by borrower.
- vii. To strengthen the existing system of monitoring and follow-up of loan accounts. To initiate action as per time bound program and file cases within stipulated period of time if there persistent default.

- viii. To circulate and set the procedure at Branch and Departmental levels for adjustment of sale proceeds of prime & collateral securities, accounting of interest part time bound action plan for initiating various types of recovery actions, filing cases, compromise settlement/OTS, etc.
- ix. To prepare Action plan for recovery in NPA a/c's and further recovery in written off accounts.
- x. To have a proper monitoring, review and reporting system from branches to H.O/Executive Committee/ Board and define time frequency of such reporting.

3. **OWNERSHIP OF THE POLICY :-**

The ownership of the "Recovery Policy " lies with Head Office of the bank. The Policy will be periodically updated as per the requirement of latest provisions of laws and rules made applicable to the bank, subject to the approval of the Board of Directors.

4. **VALIDITY OF THE POLICY :-**

This policy will be remained in force until further rectification and amendments approved by Board.

5. **APPLICABILITY OF THE POLICY :-**

The Policy will be applicable to all the branches of the bank, on it's approval and the same will be circulated to all concerned.

6. **STRATEGY FOR MANAGEMENT, RECOVERY OF OVERDUES & NPA LOAN ACCOUNTS:-**

Filing of Recovery cases/disputes against the defaulter borrowers & their guarantors, consenters etc. for recovery of the dues should be the last resort. Precaution /Follow-up has no substitute for the recovery. Therefore bank has decided the universal strategy for management & recovery of NPA accounts.

- i. To keep constant post disbursements follow up of loan accounts.
- ii. Branches shall adopt following measure before taking legal action against defaulter borrowers and their guarantors, consenters etc..
 - a) Communicate with borrower & key person of the borrower firm/Co. and try to persuade the borrower for regularization of account.

- b) Try to find out reason for non-payment of Bank's dues.
 - c) If the account becomes irregular due to reason beyond the control of the borrower take immediate corrective steps.
 - d) If the unit is potentially viable, try to revive the account as per procedure given in credit policy.
 - e) If the Branch Manager feels that the account cannot be upgraded/revived, persuade the borrower to dispose off the excess assets/or assets charged to the bank with bank's consent and reduce the liability by adjusting sale proceeds by following due process of law.
 - f) If there is no security/inadequate security, persuade the borrower to settle the account as per OTS/Compromise Settlement Scheme approved by Bank, subject to the fulfillments of their eligibility.
 - g) Ensure that the irregular account must be upgraded/rescheduled/restructured/closed or take case file decision/ action under SARFAESI Act/under section of 84 of MSCS Act/other law, if there are more than 6 installments in default.
- iii. Branches shall adopt following procedure for recovery in projected & existing NPA accounts.

Sr. No.	Particulars	Action
1	Loan having sanctioned amount up to Rs.10 Lakh	<ul style="list-style-type: none"> - These accounts to be allotted among sub staff, clerks. - Officers/ Asst. Manager will head the Team. - Team leader will monitor performance of each stage on day-to-day basis.
2	Loans having sanctioned amount above Rs 10 lakh to Rs.1 crore.	<ul style="list-style-type: none"> - These accounts to be allotted among officer, Asst. Manager. - Manager will monitor performance of each stage on day-to-day basis.
3	Loan having sanctioned amount above Rs.1 crore and Group loans	<ul style="list-style-type: none"> - Manager/officer In charge of the Branch will made followup for recovery and monitor the a/cs.
4	In Case of Cash Credit Accounts	<ul style="list-style-type: none"> - Officer/Asst. Manager or any staff of the branch will visit and verify stock and book debts frequently.

- iv. The In-charge of Branches should distribute new accounts among all the staff members on ongoing basis for recovery.
- v. The above distribution of accounts is in the nature of guidance. The In-charge of the Branch is authorized to distribute the accounts among all staff members/groups considering the work load at the branch and the capacity of each staff member. He is authorized to make necessary changes in distribution of accounts. However, it should be ensured that all staff members are involved in the recovery work.
- vi. Frequently post disbursement visit must be conducted by Branch officers/staff. Visit reports in prescribed format should be kept in the file.
- vii. Daily recovery review should be put before the Br. Manager by recovery staff/group leader. Weekly reporting should be made to the Branch.
- viii. The In-charge of the Branch shall take review of the performance of each staff/group on monthly basis and shall submit report to Recovery Department at Head Office within 10 day of the next month.
- ix. In case of default of one EMI or default of interest during the initial holiday or moratorium period in the first month itself, follow-up to be made telephonically with the loanee only.
- x. In case of default of 2 EMIs or more, compulsory visit to be made to the loanee and sureties, Visit Report to be prepared as per standard format. Latest Mobile No, Residential and working/business place, shall be obtained and up-dated in the Account Master as well as Customer Master and informed to the Recovery Call Centre.
- xi. Branches should issue notices to the defaulter borrower and their guarantors, consenters etc. and maintain the record of the notices send to them. Branches should be report to the Head office legal department for the information and cognizance on quarterly basis. If there is no possibility of recovery of the loan without legal action, the Asst. Manager will verify the file to ensure that compliance of recovery has done by the team i.e. follow-up, telephonic calls, notices and visit report etc; and then he will place the file before the Branch Manager for submission to recovery department for further action.
- xii. The recovery department will verify the same and take decision of action against defaulter borrowers.
- xiii. In case Award received accounts u/s 84 action under Arbitration- MSCS Act 2002, branches and sale officer of the bank will take necessary action and follow up as per direction given by Head Office Recovery Department.

xiv. As a general policy, the recovery amount will be first adjusted towards recovery and related expenses, then towards Interest amount and finally towards principle amount.

xv. However in case the loan account is classified as Doubtful-1 or Doubtful-2 or Doubtful-3 or Loss asset then appropriation of recovery will be as under.

The recovery amount will be first adjusted towards Principle amount and then towards Interest amount and thereafter towards recovery and related expenses.

xvi. Board of Directors have right to waive full or partial Penal interest; legal charges and other charges subject to recommendation of Board of management especially in following cases:-

- a. Borrower is not in position to repay the loan amount.
- b. The financial condition of borrower is not sound.
- c. In case of death of borrower.
- d. Any other sufficient cause/reasons as deems fit by bank.

7. RECOVERY DEPARTMENT :-

i. Scope :-

To recover amount from the NPA accounts there is necessary to establish recovery team. The bank has separate recovery department at Head office for speedy recovery and monitoring of the NPA accounts. The main object of the department is under,

- a) To control all over the NPA of the bank and also to control the new slippage of accounts in NPA.
- b) If the branch manager came to know that after proper follow-up, the borrower failed to repay the loan amount and without legal action loan amount cannot recovered, then the branch manager shall report the same to the recovery department of Head Office.

- c) After receiving report from the branches, the department will scrutinise the same and submit report to the Board approval for taking legal action under SARFAESI Act 2002, Arbitration or any other act.
- d) Recovery officer of the bank will keep constant follow up for recovery and which is monitored by department.
- e) To take effort to close the accounts under OTS or compromise scheme.
- f) To take review of possibility of recovery from borrower and guarantors.
- g) Report about settlement of accounts under OTS and Compromise scheme.
- h) To prepare and Report about the accounts to be written off to the BOD and complete the all procedure after approval of Board
- i) To take the follow up of any legal matter is pending against bank in any court and put the progress report before BOD.
- j) Provide the legal assistance to any department and branches as when required.
- k) To report about the appoint of Arbitrators, legal advisors for the bank.

ii. **Structure :-**

Recovery department consist the work of legal & recovery process of the bank. Head of Department will control and monitor the department work. Department is having legally qualified officers and well experienced person/staff in field of recovery. Legal officers will handle the work of preparing and issuing legal recovery notices, filing of court cases, attending court matters, hearing, reporting about all legal matter. Recovery officer will take proper follow-up for the recovery from the NPA accounts.

8. RECOVERY COMMITTEE :-

To take cognizance of the recovery from the NPA accounts and work of the recovery department bank has a separate "Credit Review, Recovery and OTS Committee". The committee is taking quarterly review of recovery process of the bank and also issuing instructions for further action for recovery. The composition of the committee shall be as under

- i) Chairman of the Bank shall be Ex officio Chairman of the Recovery Committee
- ii) 7 Members of Board of directors as may be decided by the Board
- iii) Chief Executive Officer- Ex Officio member of the Committee

The department shall place the review of the recovery on quarterly basis before the committee. Board of Directors will also take cognizance of committee meeting. In case of any urgency and in view of speedy recovery in chronic NPA account, department will also report to Executive and decision of executive will be put before the Board/Committee meeting for ratification/approval.

9. REVIEW OF RECOVERY ACTION / WORK :-

The recovery department will be placed the following review details in the meeting.

- i. Summary of branches reports regarding legal action to be taken.
- ii. Summary report about the recovery made and legal action taken in NPA accounts,
- iii. Newly action taken accounts in last quarter,
- iv. Accounts under Securitization, Arbitration and their legal status,
- v. Accounts under Execution petition before court and their legal status,
- vi. Details of status action under section 138 of NI Act,

- vii. Details of legal cases other than recovery filed by bank and against bank.
- viii. Any other report which include legal aspect.
- ix. Application received for Settlement of accounts under OTS, Compromise Scheme.
- x. Action Plan of recovery in NPA accounts and its review.
- xi. Report about the appoint of Arbitrators, legal advisors for the bank

10. STAFF ACCOUNTABILITY :-

- a) Bank shall ascertain the staff accountability in cases of OTS and compromises cases as under
 - i. Assessment of loan based on sound financial judgements and not otherwise
 - ii. Proper valuation of security charged/ hypothecated to the bank is carried from approved panel valuer and the value reported by the valuer is found justifiable at the time of sanction
 - iii. Title and search report of the property mortgaged is carried out by panel advocate and there are no deficiencies pointed out in such title report
 - iv. Legal Documentation is executed with appropriate stamp duty.
- c) Bank shall also examine whether the concerned staff has taken appropriate steps for recovery within reasonable time to recover dues on following grounds
 - i. Timely legal actions are taken such as issue of notice; filing of cases before appropriate authorities
 - ii. Possession of properties
 - iii. Timely actions for sale of properties at best price

- iv. Taking all necessary steps to protect the properties charged to the bank
 - v. Properties charged to the bank are not released or No dues letters are not issued until all dues to the bank are recovered as determined by the BOD
- d) Bank shall also examine whether the negotiated compromise with borrower is carried at most beneficial amount and the losses caused to bank are minimized

11. REPORTING:-

Recovery committee shall take review of various recovery actions such as OTS/ Compromise settlements/ Write offs on following considerations

- i. Trend in number of accounts and amounts subjected to compromise settlement and/or technical write-off quarter to quarter, Year to year,
- ii. Separate breakup of accounts classified as fraud, red-Flagged, willful default and quick mortality accounts.
- iii. Amount-wise, sanctioning authority wise, and business segment / asset-class wise grouping of such accounts;
- iv. Recovery in technically written-off accounts.

12. OTHER STRATEGY OF RECOVERY:-

The bank takes legal recovery action under section 84 of MSCS Act 2002 and Securitization Act 2002 for recovery of loan amount. In spite the said action, if there is no possibility to recover the loan amount from the borrower then the bank may be decide to settle the loan accounts under various Loan closure settlement scheme which has been framed by bank in accordance with rules and regulations made applicable under various laws. Schemes are as below.

- a) One Time Settlement (OTS);
- b) Compromise Settlement;
- c) Write-Offs;
- d) Appointing Recovery Agency;
- e) Sale Out Property To Asset Reconstruction Company (ARC);
- f) Non-Banking Assets (NBA);
- g) Willful Defaulter Policy.

13. RIGHT TO CHANGE/MODIFY THE POLICY:-

The Board of Director reserves the right to change/modify the policy from time to time.

A) ONE TIME SETTLEMENT :-

Bank has formulated the OTS scheme based on the guidelines issued by RBI. The main purpose of the OTS scheme is to accelerate recoveries in the chronic NPA accounts within a reasonable period so that the funds are recycled for better use.

TERMS AND CONDITIONS OF ONE TIME SETTLEMENT SCHEME

1. The Scheme will be applicable to following Loans of the Borrower :
 - i) This Scheme will be applicable for all borrowers which are classified in doubtful or loss category as on date of the application of OTS.
 - ii) Date of NPA shall be considered as per audited NPA of preceding 31st March
 - iii) The asset classification for One Time Settlement shall be considered borrower wise not loan account wise.
 - iv) Fraud cases/ willful defaulter cases may also be eligible for OTS scheme subject to condition that the criminal proceeding underway against such debtors will not be discontinued
2. **Following Borrower Accounts will not be covered under this scheme**
 - i) Loans availed by and/or guaranteed by Directors or loans availed by firms/companies/institutions in which Directors are interested as director, partner, managing agent or guarantor or loan availed by an individual if director of bank is his partner or guarantor. (However such proposals may be considered subject to Prior permission of RBI as per provision of section 20A of Banking Regulation Act 1949(AACS)).
Director for this purpose includes Ex-Director of bank; directors and ex- directors of merged bank also.

- ii) Loan availed by any relative of Director/ Ex-Director of the bank or of merged bank with our bank
- iii) Loans guaranteed by Govt. (including cases where Govt. Guarantee has been invoked and not honored by Govt.).
- iv) Loans with tie-up arrangement for recovery with employer. (However if the company is closed or the said borrower is no more employed with the said company or if the said borrower is expired then in such case OTS scheme will be applicable)
- v) Loans due from Govt. Dept. /Undertakings
- vi) Loans under Govt. directed Programmers
- vii) Advances against security of FDR, NSC, Gold shall not be eligible for OTS scheme

Note: - The definitions of relative of director, willful defaulter; fraud shall be as per RBI guidelines/circulars issued from time to time.

3. Settlement formula - Minimum amount to be recovered:

- i) The minimum OTS amount shall be arrived as under
 - a. At first the outstanding principal amount and interest receivable as on date of Doubtful-1 will determined
 - b. Simple Interest shall be calculated on the principal amount (As determined in (a) above) till date of settlement as under
 - b.1 Simple interest at the rate of 10% p.a shall be charged if the (principal +IR) outstanding of a/c is fully secured by tangible security as on date of settlement
 - b.2 Simple interest at the rate of 8% p.a shall be charged if the (principal +IR) outstanding of a/c is secured by tangible security (min. 75%) as on date of settlement

- b.3 Simple interest at the rate of 6% p.a shall be charged if the (principal +IR) outstanding of a/c is secured by tangible security (min.50%) as on date of settlement
- b.4 Simple interest at the rate of 4% p.a shall be charged if the (principal +IR) outstanding of a/c is secured by tangible security (up to 50%) as on date of settlement
- b.5 In case of unsecured loans simple interest at the rate of 4% p.a. shall be charged on the (Principal + IR) outstanding amount.
- c. Legal charges and other charges may be waived and shall be deducted if charged to the borrower
- d. The amount paid by borrower after D-1 date till date of settlement shall be deducted
- e. The balance amount shall be treated as OTS amount
- f. However if the OTS amount is arrived as negative, then bank shall not refund any amount to borrower
- g. Further, if the OTS amount as arrived above should not be less than principal amount outstanding as on date of settlement. In such case the principal amount outstanding as on date of settlement shall be considered as OTS amount.

4. Other terms and conditions -

- i. One Time Settlement Scheme will be non-discriminatory and non-discretionary
- ii. If the borrower is having multiple a/c's (which are in NPA) then Bank shall consider all a/cs for OTS at a time. However, in exceptional cases, bank may settle one or more NPA accounts under OTS at the request of borrower. In such case of partial OTS, security charged to the bank shall not be discharged unless all remaining loan a/c's of borrower are settled.

- iii. Borrower needs to pay at least 5% of outstanding principal amount (o/s as on date of application) along with the application for OTS. This amount shall be adjusted against final OTS amount approved by the competent authority of bank. After approval of OTS scheme, borrower shall pay 25% of OTS amount (5% amount paid shall be adjusted) within 15 days from date of approval. Remaining balance of 75% of OTS amounts shall be paid within 90 days from date of OTS approval.
- iv. If the borrower is unable to pay 75% of OTS amount within 90 days, he may avail to opt the repayment period maximum up to 11 months from date of OTS approval in equal installments. In such case, bank shall charge simple interest at the rate of 8% p.a.
- v. If the borrower fails to pay OTS amount as mentioned in clause (ii) or (iii) above, OTS approval shall stand cancelled immediately at end of 90 days or 11 months as the case may be. In such case bank shall free to decide the appropriate recovery actions to recover the dues
- vi. If the OTS scheme is cancelled as mentioned in clause (iv) above, the amount deposited by borrower shall be first appropriated towards principal amount and thereafter towards unapplied interest and thereafter towards charges, if any
- vii. The OTS proposals under this Scheme shall be first approved by BOM and thereafter recommendation of BOM shall be placed before BOD meetings.
- viii. All the rights in respect of sanction or reject of the OTS proposal is reserved by the bank.
- ix. Recovery proceedings will be re-initiated/ continued against borrower and sureties if the borrower/ guarantors fails to fulfill the commitments under compromise/OTS

- x. Recovery committee shall take review of the Compromise/OTS proposals at quarterly intervals.
- xi. The decision of the bank with respect of eligibility and amount payable under the OTS will be final and binding on all borrowers and guarantors.
- xii. No borrower/guarantor can claim any right in respect of the OTS Scheme.
- xiii. If the account is settled under this scheme, the borrower will not be allowed to avail fresh loan/ credit facility from our bank or to stand as guarantor for any credit facility for next five years.
- xiv. The shares of the borrower will be adjusted provided, there is no any other direct/ indirect liability. Borrower will not be eligible to become member of the bank for next 5 years from the date of cessation of membership and avail finance from the bank. In respect of settlement of account of defaulters borrowers of merged banks the shares will be adjusted when such shares become eligible for refund as per merger order.
- xv. The scheme will be implemented for settlement of NPA accounts of our bank as well as merged banks.
- xvi. After fulfillment of OTS all the legal cases will be withdrawn by both the parties.

B) COMPROMISE SETTLEMENT SCHEME (CSS):-

I) ELIGIBILITY:-

- i. This scheme will be applicable for all NPA accounts
- ii. Unsecured loans will also be eligible under CSS
- iii. For all loan accounts which are under long pending legal disputes before court/tribunal etc. for adjudication.
- iv. Borrower is expired or absconded
- v. When the Bank feels that the time taken and cost involved in recovering the dues through the process of filing a suit and executing the decree will be more than the likely recovery to be affected.
- vi. When a unit is suffering chronic problems of production, sales etc. and it has become unviable to continue operations and borrowers' verifiable means/ resources as well as securities are not adequate.
- vii. When the borrower is willing to settle the dues in full in a lump sum and the sacrifice of the bank is reasonable, considering the time value of money in recovery through the present time consuming and costly legal system.
- viii. When there is no security available, unit is closed and there are no assets for execution of decree and the borrower/guarantor is willing to settle the dues on his own.

II) CSS will not cover following accounts-

- i. Loans availed by and/or guaranteed by Directors or loans availed by firms/companies/institutions in which Directors are interested as director, partner, managing agent or guarantor or loan availed by an individual if director of bank is his partner of

guarantor. (However such proposals may be considered subject to Prior permission of RBI as per provision of section 20A of Banking Regulation Act 1949(AACS)).

Director for this purpose includes Ex-Director of bank; directors and ex- directors of merged bank also

- ii. Loan availed by any relative of Director/ Ex-Director of the bank or of merged bank with our bank
- iii. Loans guaranteed by Govt. (including cases where Govt. Guarantee has been invoked and not honored by Govt.).
- iv. Loans with tie-up arrangement for recovery with employer. (However if the company is closed or the said borrower is no more employed with the said company or if the said borrower is expired then in such case CSS scheme will be applicable)
- v. Loans due from Govt. Dept. /Undertakings
- vi. Loans under Govt. directed Programmers
- vii. Advances against security of FDR, NSC, Gold shall not be eligible for CSS scheme

III) SETTLEMENT FORMULA FOR SECURED LOANS :-

1) Consideration of proposal for settlement of NPA accounts will be linked to available securities and status of business as under-

- a) Present value of movable/immovable properties, hypothecated/ mortgaged to the bank (both prime and collateral) as well as value of properties of borrower and sureties attached by SRO / Receiver/ Court/Arbitral Tribunal having clear and marketable title to be taken into account. If such properties are mortgaged to some other

bank/ FI the outstanding dues of such banks/ FI will be ascertained by the Bank.

- b) If the business is running, then the value of stock and debtors (as per last Audited Balance Sheet and updated stock and Book debt statement) shall also be taken into account.
- c) The expenses incurred by bank for publication of notices, valuation, security guard charges, legal expenses, insurance premium etc. may be waived
- d) **Recovery formula shall be arrived based on aging of NPA and realizable security available with the bank/deterioration in collateral value etc factors**

Asset Classification	Realizable Security Coverage Ratio is more than 100%	Realizable Security Coverage Ratio is between 75% to 100%	Realizable Security Coverage Ratio is between 50% to 75%	Realizable Security Coverage Ratio is less than 50%	Unsecured Loans
Sub-Std					
NPA age = up to 6 months	Principal + IR outstanding as per ledger as on date of application	Principal + IR outstanding as per ledger as on date of application	Principal + IR outstanding as per ledger as on date of application	Principal + IR outstanding as per ledger as on date of application	Principal + IR outstanding as per ledger as on date of application
NPA age = 6 months to 12 months	Principal + IR outstanding as per ledger as on date of application	Principal + IR outstanding as per ledger as on date of application	Principal + IR outstanding as per ledger as on date of application	Principal + 90% of IR outstanding as per ledger as on date of application	Principal + min 80% of IR outstanding as per ledger as on date of application
Doubtful and Loss Assets					

NPA age- 12 months up to 24 months	Principal + min 90% of IR outstanding as per ledger as on date of application	100% Principal + min 85% of IR as per ledger as on date of application	100% Principal + min 75% of IR as per ledger as on date of application	100% Principal + min 50% of IR as per ledger as on date of application	100% Principal + min 25% of IR as per ledger as on date of application
NPA age- more than 24 months up to 36 months	Principal + min 80% of IR outstanding as per ledger as on date of application	100% Principal + min 75% of IR as per ledger as on date of application	100% Principal + min 60% of IR as per ledger as on date of application	100% Principal + min 40% of IR as per ledger as on date of application	100% Principal + min 20% of IR as per ledger as on date of application
NPA age- more than 36 months to 48 months	Principal + min 70% of IR outstanding as per ledger as on date of application	100% Principal + min 60% of IR as per ledger as on date of application	100% Principal + min 50% of IR as per ledger as on date of application	100% Principal + min 30% of IR as per ledger as on date of application	100% Principal + min 15% of IR as per ledger as on date of application
NPA age- more than 48 months but less than 84 months	Principal + min 60% of IR outstanding as per ledger as on date of application	100% Principal + min 50% of IR as per ledger as on date of application	100% Principal + min 40% of IR as per ledger as on date of application	100% Principal + min 20% of IR as per ledger as on date of application	100% Principal as per ledger as on date of application
NPA Age more than 84 months	Principal + min 50% of IR outstanding as per ledger as on date of application	100% Principal + min 30% of IR as per ledger as on date of application	100% Principal + min 25% of IR as per ledger as on date of application	100% Principal + min 10% of IR as per ledger as on date of application	Min 50% of Principal as per ledger as on date of application
Loss Assets	Principal outstanding as per ledger as on date of application	Min 75% of Principal as per ledger as on date of application	Min 60% of Principal as per ledger as on date of application	Min 30% of Principal as per ledger as on date of application	Min 25% of Principal as per ledger as on date of application

- e) While ascertaining value of immovable properties charged/ mortgaged to the bank or attached by SRO / receiver/ Civil Court/ High Court etc. as the case may be the realizable value of properties should be taken into account as per latest valuation report (not older than 1 year) of Govt. approved valuer on bank's panel. The outstanding dues of the society, claims of sales tax/GST, workers dues, provident fund, ESI dues and any other dues which have priority over secured creditors are to be deducted from the valuation of properties.
- f) Value of movable assets (such as Plant/equipment/ machinery etc) shall be ascertained based on latest valuation report (not older than 1 year) prepared by approved valuer on bank's panel
- g) Value of movable assets (such as stock/ debtors etc) shall be ascertained based on latest valuation report (not older than 1 month) prepared by Chartered Accountant on the panel of stock auditors.
- h) Bank shall analyze the realizable value of security (movable/immovable) with the value accepted at the time of sanction of said credit facility and shall ascertain the reasons with justification for wide variance for more than 15%

IV) Other terms and conditions -

- i. CSS will be non-discriminatory and non-discretionary
- ii. If the borrower is having multiple a/c's (which are in NPA) then Bank shall consider all a/c's for CSS at a time. However, in exceptional cases, bank may settle one or more NPA accounts under CSS at the request of borrower. In such case

of partial CSS, security charged to the bank shall not be discharged unless all remaining loan a/cs of borrower are settled.

- iii. Borrower needs to pay at least 5% of outstanding principal amount (o/s as on date of application) along with the application for CSS. This amount shall be adjusted against final CSS amount approved by the competent authority of bank. After approval of CSS scheme, borrower shall pay 25% of CSS amount (5% amount paid shall be adjusted) within 15 days from date of approval. Remaining balance of 75% of CSS amounts shall be paid within 90 days from date of CSS approval.
- iv. If the borrower is unable to pay 75% of CSS amount within 90 days, he may avail to opt the repayment period maximum up to 11 months from date of CSS approval in equal installments. In such case, bank shall charge simple interest at the rate of 8% p.a.
- v. If the borrower fails to pay CSS amount as mentioned in clause (ii) or (iii) above, CSS approval shall stand cancelled immediately at end of 90 days or 11 months as the case may be. In such case bank shall free to decide the appropriate recovery actions to recover the dues
- vi. If the CSS scheme is cancelled as mentioned in clause (iv) above, the amount deposited by borrower shall be first appropriated towards principal amount and thereafter towards unapplied interest and thereafter towards charges, if any
- vii. The CSS proposals under this Scheme shall be first approved by BOM and thereafter recommendation of BOM shall be placed before BOD meetings.
- viii. The CSS calculation will be checked and certified by the Concurrent Auditor appointed by the bank before placing the

CSS applicant to BOM and BOD. The Auditor's fees will have to be borne by the borrower which are non-refundable.

- ix. Recovery proceedings will be re-initiated/ continued against borrower and sureties if the borrower/ guarantors fails to fulfill the commitments under compromise/CSS
- x. Recovery committee shall take review of the Compromise/CSS proposals at quarterly intervals.
- xi. The decision of the bank with respect of eligibility and amount payable under the CSS will be final and binding on all borrowers and guarantors.
- xii. No borrower/guarantor can claim any right in respect of the CSS.
- xiii. If the account is settled under this scheme, the borrower will not be allowed to avail fresh loan/ credit facility from our bank or to stand as guarantor for any credit facility for next five years.
- xiv. The shares of the borrower will be adjusted provided, there is no any other direct/ indirect liability. Borrower will not be eligible to become member of the bank for next 5 years from the date of cessation of membership and avail finance from the bank. In respect of settlement of account of defaulters borrowers of merged banks the shares will be adjusted when such shares become eligible for refund as per merger order.
- xv. The scheme will be implemented for settlement of NPA accounts of our bank as well as merged banks.
- xvi. After fulfillment of CSS all the legal cases will be withdrawn by both the parties.

C) WRITE-OFF'S:-

- i) Bank may with the approval BOD write off the loan accounts which are classified as either Doubtful or loss assets except in following cases
 - a) Loans availed by and/or guaranteed by Directors or loans availed by firms/companies/institutions in which Directors are interested as director, partner, managing agent or guarantor or loan availed by an individual if director of bank is his partner or guarantor. (However such proposals may be considered subject to Prior permission of RBI as per provision of section 20A of Banking Regulation Act 1949(AACS)).
Director for this purpose includes Ex-Director of bank; directors and ex- directors of merged bank also
 - b) Loan availed by any relative of Director/ Ex-Director of the bank or of merged bank with our bank
 - c) Loans guaranteed by Govt. (including cases where Govt. Guarantee has been invoked and not honored by Govt.).
 - d) Loans with tie-up arrangement for recovery with employer. (However if the company is closed or the said borrower is no more employed with the said company or if the said borrower is expired then in such case bank may write off the a/c)
 - e) Loans due from Govt. Dept. /Undertakings
 - f) Loans under Govt. directed Programmers
 - g) Advances against security of FDR, NSC, Gold shall not be eligible for write off
- ii) The bank shall keep its right of recovery even though the account is proposed to be written off

- iii) In view of bank, there are no chances of recovery of such proposed loans to be written off despite all efforts of recovery are made
- iv) Bank should have taken every step by initiating legal action in case of such proposed written off accounts
- v) Due to write off, bank shall not give any undue benefit to any borrower/ guarantor
- vi) Procedure for Technical write off of accounts
 - a) The primary list of proposed written off accounts shall be prepared by the recovery department at the instructions of Chief Executive Officer
 - b) Thereafter the list shall be placed in recovery committee for approval
 - c) Thereafter the list shall be placed before BOM and then BOD for its approval
 - d) Then Statutory Auditor of the bank shall verify and certify the accounts to be written off.
 - e) Bank shall obtain approval for write off in the Annual General Meeting
 - f) After approval of AGM, the accounts department shall write off the accounts as per counting policy

D) APPOINTING RECOVERY AGENCY :-

- 1) The Bank may utilize the services of Recovery Agents for collection of dues and repossession of securities. Recovery agents will be appointed as per regulatory guidelines issued in this regard.
- 2) Recovery Agents will be appointed by obtaining valid application from the reputed firms/agencies in recovery field having Govt approved license. Appointment will be made by approval of Board of Directors. Remuneration and other criteria, charges etc. will be decided by BOD from time to time, which will be communicated with the agency.
- 3) The name and address of Recovery Agents appointed by bank will be informed to all of concerned.
- 4) In case the Bank engages the services of such Recovery/ enforcement/ seizure agents for any recovery case, the identity of the agent will be disclosed to the borrower.
- 5) The recovery Agents engaged by the Bank will be required to follow a code of conduct covering their dealings with customers.

E) SALE OF NPA ASSETS TO ARC:-

The Non performing Assets (NPA) of the bank are increasing significantly. Despite of concentrated efforts for to reducing the NPAs at all levels, the NPAs of the bank are increasing at alarming rate. The amount of NPA'S is substantially increasing which is major cause of concern. Further, due to sluggish property market, natural calamity, there are no buyers for the mortgaged properties. RBI has been insisting on banks to utilize measures put in place by it and the governance for recovery of bad loans.

In view of the above and to come out of their crucial situation bank has decided to sale the NPA accounts to ARC company. Accordingly the bank made relevant separate policy on assignment of debts and sale of Non performing Assets(NPAS). Bank shall follow the said policy.

F) Non-Banking Asset :-

A. Introduction

- i. It is the prime object of bank to keep the loan portfolio performing as per the RBI guidelines and reduce or control the non-performing assets keeping it at a desirable level. But, due to the market trends and recessionary economic aspects, the trade and business activities come in trouble and as such loan repayments are not forthcoming in a stipulated period/time. Although the bank is trying its best to recover its dues making different visits and giving notices and finally taking possession of the assets; but still it is really very difficult to recover the amounts of sticky accounts and also bank is encountering many difficulties and hurdles for selling out the property mortgaged or hypothecated to bank resulting in delay in recovery. In fact, this hampers to growth of the banking activities which gives negative impact on the profit of the bank.
- ii. To come out of this situation and improve the non performing asset portfolio, bankers are generally accepting converting the loan portfolio into non-banking assets.
- iii. Legal Provisions Legal provisions are contained in Sec 6 and Sec 9 of Banking Regulation Act 1949 (AACS) These are given below
- iv. **Sec. 6 of B R Act 1949:-** Bank is not permitted to do business other than specified in that section. Accordingly, bank can acquire and hold and can generally deal with any property or any right, title or interest in any such property which may form

the security or part of the security for any loans or advances or which may be connected with any such security.

v. **Sec 9 of B R Act 1949 (AACS):- Disposal of non-banking assets**

Notwithstanding anything contained in section 6, no banking company shall hold any immovable property howsoever acquired, except such as is required for its own use, for any period exceeding seven years from the acquisition thereof or from the commencement of this Act, whichever is later or any extension of such period as in this section provided, and such property shall be disposed of within such period or extended period, as the case may be:

PROVIDED that the banking company may, within the period of seven years as aforesaid, deal or trade in any such property for the purpose of facilitating the disposal thereof:

PROVIDED FURTHER that the Reserve Bank may in any particular case extend the aforesaid period of seven years by such period not exceeding five years where it is satisfied that such extension would be in the interests of the depositors of the banking company.

B. SITUATION FOR CREATION OF NBA

1. Legal actions either in Arbitration or SARFAESI Act, 2002 is taken against defaulters and bank has taken physical possession of the properties.
2. During auctions of properties in possession, bank faces difficulties in fetching the minimum requisite reserve price of the auctioned properties.

3. Under the circumstances, many a times, bank is forced to reduce the price of property so as to liquid and reduce the non-performing assets, if the market is not favourable and the buyers are not quoting the matching price and also the matter of recovery is delayed due to reasons beyond the control of a bank.
4. Under the circumstances, it is very much necessary to convert these assets as non-banking asset and reduce a substantial portfolio as non-performing asset.
5. Bank shall acquire properties of borrower if all of the following conditions are satisfied
 - i. The property should be tangible property other than agricultural land.
 - ii. Property should not be disputed for any documentation/ ownership title issue
 - iii. The property should be ideally in the nature of immovable property such as flat, shop, office, building, shed, NA Land, commercial land/plot etc
 - iv. The Bank has taken physical possession of the property under SERFAESI Act or under MCS Act 1960/ Rules there under
 - v. Bank has auctioned the said property for not less than 2 times but unable to sell the property for want of bidders or for want of minimum reserve price
 - i. In such cases, the asset can be purchased by the bank itself through authorized officer by participating in open auction process.
 - ii. In some cases, the original owner of the secured assets willingly gives unconditional consent to the bank and he himself makes sale deed in favour of the bank

- iii. Under the above both the aspects above in (6) and (7), the said asset can be transferred in the name of bank and the bank will become absolute owner of the property. In such cases, the process and the expenses such as stamp duty and registration fee etc. shall be borne by the bank
6. After purchase of the non banking asset, it will be shown in the Balance Sheet under the head of non-banking asset and the NPA account of borrower will be closed or reduced to the extent of NBA created. Such asset can be maintained in the balance sheet for the maximum period of seven years as per the RBI guidelines. During this period, such asset will be shown as "Non-Banking Asset" in the bank's Balance Sheet
7. The aspects to be taken into consideration:
 - 1) Expenses for sale deed such as stamp duty and registration fee.
 - 2) Security.
 - 3) Maintenance.
 - 4) Light Bill
 - 5) Water Charges
 - 6) Govt. Taxes.

C. PROCEDURE FOR ACQUISITION OF NBA

If all of above conditions are being satisfied then

1. Bank shall first resolve in Board Meeting to acquire the property for reserve price which shall not be more than distress value as declared in last auction of the said property
2. Then bank may acquire such property through its authorized representative from borrower/ authorized officer by paying appropriate stamp duty and by registering the sale deed in the office of Registrar and in the name of bank.
3. Bank shall observe RBI instructions, if any regarding acquisition of property

D. ACCOUNTING FOR ACQUISITION OF NBA

- i. As per AS-10 (Accounting for Properties, Plant & Equipment), fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business
- ii. The plain reading of definition for fixed assets under AS-10 implies that AS-10 is not applicable to non-banking assets as the non-banking assets are not held with the intention to use for the banking business purpose, but with the intention to sale the same at earliest but not later than 7 years or as may be allowed by RBI.
- iii. Normally non-banking assets should be acquired at value as may be determined by the process of Auction under SERFAESI Act or any other applicable Act. The outstanding principal amount should be first adjusted against value of non-banking asset. Some banks follow practice of carrying value of non-banking assets at lower of net book value or net realizable value. The exercise is carried at end of each accounting period. If net realizable value is below the carrying value of property, impairment needs to be recognized in the profit & loss Account.
- iv. As per prudent accounting practice, any amount over and above the outstanding principal can be taken into income account as markup/profit, other income etc., either directly or through reversal of accruals in suspense account, only when actually realized in cash, through sale of property or otherwise received from the borrower. The deferred profit on account of acquisition of property shall, however, be kept in other liabilities account until realization.
- v. Bank shall charge the deficit arising from revaluation of property held under Non-Banking Asset to Profit & Loss Account and any revaluation surplus should be transferred to "Surplus on Revaluation of NBA". The surplus can be adjusted only upon realization of sale proceeds.
- vi. In short, therefore bank shall not take interest to income account unless and until it is actually realized either by way of sale of property or by recovery from borrower.

E. DISPOSAL OF NBA

- i. Bank shall dispose of NBA within 7 years of its acquisition as per Sec 9 of Banking Regulation Act 1949 (AACS).
- ii. In case bank could not dispose off the NBA due to reasons beyond its control in spite of due efforts made by it, it shall apply to RBI, Regional office for the extension of the period.
- iii. If the amount received after selling the assets is less than outstanding amount then bank has right to take legal action for recovering the remaining amount.

G) WILFUL DEFAULTERS POLICY

1. Introduction

Bank has made willful defaulter policy in case of loans of Rs.25 lacs and above to put in place a system to disseminate credit information pertaining to willful defaulter for cautioning banks and financial institutions so as to ensure that further bank finance is not made available to them. RBI has also provided guidelines regarding identification and panel action against willful defaulter. Policy has been framed as per RBI/2015-16/100 DBR.No.CID.BC.22/20.16.003/2015-16 July 1,2015. However the policy has been framed according to the RBI revised guidelines dated 31/07/2024 and circulars issued by RBI from time to time.

2. Definitions of 'Lender', Unit' and 'willful default'

- i. **Lender:-** The term 'lender' covers banks to which any amount is due, provided it is arising on account of any banking transaction, including off balance sheet transactions such as guarantees and letters of credit.
- ii. **Unit:** The term 'unit' includes individuals, juristic persons and all other forms of business enterprises, whether incorporated or not.
- iii. **Willful Default:** A 'willful default' would be deemed to have occurred if any of the following events is noted:
 - a. The unit has defaulted in meeting its payment / repayment obligations to the lender even when it has the capacity to honour the said obligations.

- b. The unit has defaulted in meeting its payment / repayment obligations to the lender and has not utilised the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
- c. The unit has defaulted in meeting its payment / repayment obligations to the lender and has siphoned off the funds so that the funds have not been utilized for the specific purpose for which finance was availed of, nor are the funds available with the unit in the form of other assets.
- d. The unit has defaulted in meeting its payment / repayment obligations to the lender and has also disposed off or removed the movable fixed assets or immovable property given for the purpose of securing a term loan without the knowledge of the bank/lender.
- e. The identification of the willful default will be made keeping in view the track record of the borrowers and will not be decided on the basis of isolated transactions / incidents. The default to be categorized as willful will be intentional, deliberate and calculated.

3. Penal Measures:-

The following measures will be initiated by the bank against the willful defaulters Identified as per the definition indicated at paragraph 2.1.3 above:

- a. No additional facilities will be granted by bank to the listed willful defaulters. In addition, such companies (including their entrepreneurs / promoters) where bank have identified siphoning / diversion of funds misrepresentation, falsification of accounts and fraudulent transactions will be debarred from institutional finance from the scheduled commercial banks, Financial Institutions, NBFCs, for floating new ventures for a

period of 5 years from the date of removal of their name from the list of willful defaulters as published/disseminated by RBI/CICs.

- b. The legal process, wherever warranted, against the borrowers / guarantors and foreclosure for recovery of dues will be initiated expeditiously. The bank shall initiate criminal proceedings against willful defaulters, wherever necessary.
- c. Wherever possible, the bank will adopt a proactive approach for a change of management of the willfully defaulting borrower unit.
- d. A covenant in the loan agreements, with the companies to which the banks have given funded / non-funded credit facility, will be incorporated by the bank to the effect that the borrowing company should not induct on its board a person whose name appears in the list of Willful Defaulters and that in case, such a person is found to be on its board, it would take expeditious and effective steps for removal of the person from its board.

In connection with the guarantors, in terms of Section 128 of the Indian Contract Act, 1872, the liability of the surety is co-extensive with that of the principal debtor unless it is otherwise provided by the contract. Therefore, when a default is made in making repayment by the principal debtor, the banker will be able to proceed against the guarantor / surety even without exhausting the remedies against the principal debtor. As such, where a banker has made a claim on the guarantor on account of the default made by the principal debtor, the liability of the guarantor is immediate. Guarantor refuses to comply with the demand made by the creditor / banker, despite having sufficient means to make payment of

the dues, such guarantor will also be treated as a willful defaulter.

4. **Role of auditors:-**

In case any falsification of accounts on the part of the borrowers is observed by the banks and if it is observed that the auditors were negligent or deficient in conducting the audit, bank will lodge a formal complaint against the auditors of the borrowers with the Institute of Chartered Accountants of India (ICAI) to enable the ICAI to examine and fix accountability of the auditors

5. **Role of Internal Audit / Inspection**

The aspect of diversion of funds by the borrowers will be adequately looked into while conducting internal audit / inspection of their offices / branches and periodical reviews on cases of willful defaults will be submitted to the Audit Committee of the bank.

6. **Reporting to Credit Information Companies**

Banks will submit the list-filed accounts and non suit filed accounts of willful defaulters of Rs.25 lakh and above on a monthly or more frequent basis to all the four Credit Information Companies.

7. **Mechanism for identification of Willful Defaulters**

The Reserve Bank of India has proposed new guidelines for classifying borrowers as "wilful defaulters". The guidelines aim is to provide a transparent and non-discriminatory procedure, ensure that lenders adhere to specific timelines, and bring more accountability to the process of identifying defaulters. The directors/guidelines also aims to put in place a system to disseminate credit information about willful defaulters for

cautioning lenders to ensure that further institutional finance is not made available to them.

Therefore, as per the notification and guidelines dated 30/07/2024 of RBI, the bank followed to classify/identity wilful defaulters. Accordingly bank has composed **Willful Defaulter Identification Committee and Review Committee**. Hence the mechanism referred to in paragraph 2.1.3(d) above should generally include the following:

A) Identification Committee:-

- i. **Identification Committee means** the committee constituted by lender for identification a wilful defaulter and shall comprise of :

An officer not more than one rank below the MD/CEO as chairperson and two senior officials, not more than two ranks below the chairperson of the committee as members.

In view of this wilful Defaulter Identification Committee consists of the One Chairperson and two member.

- ii. **Work of Identification Committee:-**

- a) The Committee should examine the cases of wilful defaulter on the basis of information provided by Department. The Committee follows a transparent and non-discriminatory procedure.

- b) As if branch Manager feels that any account which is in NPA having outstanding in aggregate Rs.25 lakhs and above, and as a large defaulters with an outstanding amount of Rs.1 Crore and above, then he shall visit the said borrowers place and his business

and collect information. If Branch Manager confirms that borrower has sound business and having sufficient amount to repay the loan but he did not pay the same then branch manager should submit the detail report before Identification Committee.

- c) After due scrutinization, the Identification Committee can issue show-cause notice against the defaulter and Committee may call for the defaulter's for explain/submission of clarification regarding show-cause notice within 21 days after receipt of notice.(i.e. 21 days Show Cause Notice)
- d) After verifying the submissions and documents submitted by defaulter borrower and bank, Identification Committee thinks and confirms that the said accounts comes in the preview of Willful Defaulter, then Identification Committee prepare its report and submit the same for review before Review Committee for further verification.

B) Review Committee:-

i) Review Committee means the committee constituted by lender bank for the purpose of reviewing the proposal of the identification committee and comprise of The MD/CEO as the chairperson and two professional directors as a members.

(Note :- The Review committee shall not be comprised of members who are part of the identification committee.)

In view of these above directions of Reserve bank of India, Willful Defaulter Review Committee consists of one Chairperson and two members.

ii) Work of Review Committee:-

- a) If the Identification Committee confirms defaulter borrower comes within the preview of Willful Defaulter, the committee prepare its report and submit the same for review before Review Committee.
- b) After verifying the report submitted by Identification Committee, this committee as last chance issue 21 days' notice to defaulter borrower and call for submission of their reply along with necessary documents personally or through their advocate. Also inform if borrower that if failed to submit required documents committee will mark his NPA account as Willful defaulter.
- c) If borrower submit his reply orally or documentary, then Review committee as a Principle of Natural Justice can give one chance to defaulter borrower and inform that if he can submits compromise settlement then bank will consider his application.
- d) After giving sufficient opportunity defaulter borrower fails to submit required documents, review committee declare such borrower as Willful Defaulter and passed the Reasoned Order. And Inform to Credit Information Companies [CIC's] and RBI regarding the same.

e) After final overview/review Committee will put the report before board.

C) Committee Meeting :-

Willful Defaulter Committee meeting will be conducted on quarterly basis.



Manager
(Legal & Recovery)



General Manager



Chief Executive Officer